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TAGS: [EPET](#) [ENRG](#) [ECON](#) [EINV](#) [EAID](#) [PREL](#) [IZ](#)  
SUBJECT: OIL MINISTER ON PREPARING FOR IOC OPERATIONS AND  
EXPORT INFRASTRUCTURE EXPANSION

REF: A. 09 BAGHDAD 2971  
[1](#)B. 09 BAGHDAD 2975

Classified By: ACMAT Patricia Haslach for reasons 1.4 (b) & (d)

[1](#)1. (C) Summary: Oil Minister Shahrستاني expressed to ACMAT Haslach and USF-I DCG Hunzeker complete, and perhaps unrealistic, confidence in the Ministry of Oil's (MOO's) preparations to support international oil companies (IOCs) as they begin operations under the ten contracts awarded from Iraq's two oil bid rounds in 2009. The oil minister's perceptions of MOO's capabilities and current progress in building the southern export infrastructure necessary for the new oilfield contracts also tended to be utopian. He voiced strong concerns over the lack of cooperation between Iraqi ministries and requested U.S. assistance in encouraging greater cooperation. End summary.

Improvements to Umm Qasr Port and Basra Airport Stalled  
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[1](#)2. (C) In a February 11 meeting with Assistant Chief of Mission for Assistance Transition (ACMAT) Haslach and U.S. Forces-Iraq (USF-I) Deputy Commanding General for Support (DCG) Hunzeker, Oil Minister Hussain al-Shahrستاني expressed complete confidence in MOO's preparations to support IOCs as they begin operations under the ten contracts awarded from Iraq's two oil bid rounds in 2009. When the ACMAT inquired about the biggest challenges to successful preparations to support IOCs, Shahrستاني identified Umm Qasr Port and Basra Airport.

[1](#)3. (C) Shahrستاني said that lack of cooperation between Iraqi ministries is hindering the actions necessary to prepare Umm Qasr Port for the increased traffic that IOCs will generate. He claimed that the Minister of Transportation is the greatest hindrance, and requested U.S. assistance in encouraging greater cooperation between Iraqi ministries. The DCG acknowledged the pervasive lack of inter-ministry cooperation and pointed out that the unfortunate consequence of failure to cooperate in preparing Umm Qasr would be the IOCs use of Kuwait City Port instead of Umm Qasr Port. Shahrستاني also said MOO is considering building a new runway and new facilities at the Basra Airport in preparation for the increased traffic that IOCs will generate. He claimed the Minister of Transportation is blocking this decision for Basra Airport.

Camp Bucca Available for GOI Use with IOCs  
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[1](#)4. (C) The DCG noted that former USF-I Camp Bucca, located ten minutes from Umm Qasr, was now available for the

Government of Iraq's (GOI's) use and might be suitable as a staging and assembly facility for IOCs. Shahrستاني expressed appreciation for the possibility but was unsure of the need for such a facility, although he agreed to give it further consideration.

#### Export Infrastructure Expansion Plan Awaits IOCs' Plans . . .

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15. (C) When the ACMAT asked about MOO's plans for the southern onshore and offshore export infrastructure expansion necessary for the new oilfield contracts, Shahrستاني said the master plan would be finalized once MOO had received field development plans from the IOC consortia awarded the contracts for the southern oilfields. He is expecting all these plans in about a month. The plans will forecast oil production by quarter and enable MOO to plan for the pipeline, pump station, tank storage, and other

pipeline, pump station, tank storage, and other infrastructure expansion necessary to export incremental production as forecasted by the IOCs.

#### . . . Utopian Perceptions of MOO's Capabilities and Progress

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16. (C) With one exception, Shahrستاني admitted no concerns about MOO completing the necessary southern export infrastructure expansion on time. The exception he did note was a potential funding shortage for the offshore single point moorings (oil-tanker berths), although he will not know whether a funding shortage exists until he sees the final contracts.

17. (C) Comment: We assess that MOO lacks the management and technical expertise to complete on time the necessary southern export infrastructure. Infrastructure projects that MOO has attempted so far have been plagued by incessant mistakes and delays. For example, MOO's State Company for Oil Projects (SCOP) has attempted since early 2005 to rehabilitate and improve the Al-Faw Metering and Manifold Station (where the onshore and offshore export infrastructure connect) without visible progress. End comment.

18. (C) Shahrستاني asserted that the southern export infrastructure expansion projects will not be affected by the March 7 national elections and follow-on government formation, since the projects have already been approved. If necessary, he said, IOCs could be reimbursed, under the terms of their contracts, for building out the infrastructure. He also confirmed that he has asked the IOC consortia that were awarded the southern oilfields to work together to build a common infrastructure to supply water from the Persian Gulf for use in oilfield production operations. Shahrستاني stated that he would assign responsibilities to each consortium for building this infrastructure if they did not develop a plan by themselves.

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